Arkansas . . .

Continued from page 2

The Little Rock facilities may need expansion, the Arkansans concede. But there is plenty of office space in and around Little Rock that could accommodate the bank's needs.

The Arkansans also concede that Little Rock is not a financial center, as is Dallas. But Des Moines, Topeka, and Indianapolis are far from being financial puwerhouses, and each of those cities has a Federal Home Loan Bank.

Finally, moving the bank would be a devastating blow to the Little Rock economy. The bank employs 168 people with an annual payroll of about $2.5 million.

This controversy is nothing new. In fact, this is the third time in the last five years that the same proposal has been made to move the bank to Dallas. And the arguments each side espouses haven't changed.

This latest effort, though, has taken on some new twists. The Bank Board is polling members in the district's other states — Louisiana, Mississippi, and New Mexico — on their views about where the district bank should be located. Questionnaires were mailed out last week, and the results are to be tabulated by a private accounting firm by April 4.

But the Bank Board said its decision won't be bound to the poll's results.

And the Arkansas congressional delegation has stepped into the issue. The state's lawmakers in Washington have put an "informal hold" on the confirmation of Edwin Gray as a member of the Federal Home Loan Bank Board. Many expect Mr. Gray to eventually replace Richard Pratt as Bank Board chairman when Mr. Pratt resigns.

The Arkansas delegation is expected to visit Mr. Gray this week, and the possib;e relocation of the bank from Little Rock will be among the discussion items.

Arkansans believe they still hold the trump card in this whole affair. The last time the issue was debated, the General Accounting Office issued a report that concluded that the cost of moving the bank to Dallas would outweigh the benefits. Arkansans say nothing has changed in the two years that the report was released.

One savings and loan officer, who asked not to be identified, finds the debate rather amusing. "It's a political matter," he said. The issue, he says, is actually one of state pride.

And he claims to have the perfect solution — build a new bank building on the Texas-Arkansas border at Texarkana, with half the building on the Texas side and the other half in Arkansas. ■

Largest U.S. Commercial Banks, by States

Ranked as of December 31, 1982, compared with December 31, 1981

Compilation of the December 31, 1982 deposit-size rankings of the largest commercial banks with deposits of $10 million or more in the states of New Jersey, New Mexico, New York, North Carolina, and North Dakota published below with comparable data for December 31, 1981.

These tables, to be continued in subsequent editions for each of the 50 states, the District of Columbia, and Puerto Rico, as data are received and compiled, supplement the American Banker's annual midyear deposit roll call of the 300 largest U.S. banks published on March 4.

NEW JERSEY

12/31/82		Deposits Dec. 31, 1982*	Deposits Dec. 31, 1981*	Rank 12/31/81	Gain
1	Fidelity Union Bank, Newark	2,502,649,629	1,045,868,758	4	+ 3
2	Midlantic National Bank, Newark	1,959,736,000	1,781,154,000	1	
3	First National State Bank, Newark	1,829,521,000	1,661,854,000	2	
4	United Jersey Bank, Hackensack	1,544,574,000	1,335,233,000	3	
5	Heritage Bank NA, Jamesburg	1,396,558,000	758,709,000	12	+ 7
6	New Jersey National Bank, Trenton	1,137,041,000	1,005,894,000	5	
7	National Community Bank, Rutherford	1,047,184,600	1,003,195,421	6	
8	New Jersey Bank NA, West Paterson	943,401,000	841,950,000	8	
9	First National Bank, Totowa	938,908,000	822,169,000	9	
10	National State Bank, Elizabeth	903,390,064	793,572,031	10	

NEW MEXICO

1	Albuquerque National Bank	960,411,686	832,652,640	1	
2	First National Bank, Albuquerque	581,365,866	496,296,883	2	
3	First Interstate Bank of Albuquerque	286,321,000	255,124,469	3	
4	First National Bank of Lea Cty., Hobbs	255,869,116	221,094,787	4	
5	First NB of Dona Ana Cty., Las Cruces	176,588,000	162,498,000	5	
6	First Interstate Bank of Lea County, Hobbs	165,139,747	149,874,384	7	+ 1
7	First National Bank, Santa Fe	163,180,000	126,965,000	8	+ 1
8	American Bank of Comm., Albuquerque	151,200,000	153,012,000	6	
9	First National Bank of Farmington	131,578,000	108,919,000	11	+ 2
10	Citizens Bank of Clovis	127,902,986	101,721,835	12	+ 2

NEW YORK

1	Citibank NA, New York	74,544,000,000	72,471,147,000	1	
2	Chase Manhattan Bank NA, New York	59,316,797,000	58,585,662,000	2	
3	Manufacturers Han. Tr. Co., New York	43,579,255,000	42,166,528,000	3	
4	Morgan Guaranty Trust Co., New York	39,807,553,000	37,688,690,000	4	
5	Chemical Bank, New York	29,684,938,000	30,673,591,000	5	
6	Bankers Trust Co., New York	25,306,318,000	23,276,946,000	6	
7	Marine Midland Bank NA, Buffalo	15,286,733,000	14,188,360,000	7	
8	Irving Trust Co., New York	12,435,442,000	12,381,224,000	8	
9	Bank of New York	8,874,136,241	8,080,264,605	9	
10	Republic National Bank, New York	6,925,592,000	5,313,908,922	10	

NORTH CAROLINA

1	NCNB National Bank, Charlotte	6,101,833,000	5,232,583,000	1	
2	Wachovia B&T Co., NA, Winston-Salem	4,940,353,358	4,490,414,717	2	
3	First Union NB, Charlotte	3,707,503,000	3,335,708,000	3	
4	Northwestern Bank, North Wilkesboro	1,742,096,000	1,631,463,381	4	
5	First-Citizens Bank & Trust Co., Raleigh	1,421,031,497	1,320,219,270	5	
6	Branch Banking & Trust Co., Wilson	1,164,302,000	980,723,000	6	
7	United Carolina Bank, Whiteville	741,126,000	648,372,000		
8	Southern Nat'l Bank of N.C., Lumberton	740,673,696	525,572,880		
9	Central Carolina Bk & Tr Co., Durham	595,438,000	496,727,044	9	
10	Peoples Bank & Trust Co., Rocky Mount	402,879,000	366,241,000	10	

NORTH DAKOTA

1	Bank of North Dakota, Bismarck	528,993,000	591,228,000	1	
2	First Bank of North Dakota NA-Fargo	169,691,080	149,440,246	2	
3	First Nat'l Bank & Trust Co., Bismarck	164,894,358	144,973,000	3	
4	First National Bank, Fargo	140,761,000	122,720,000	4	
5	First National Bank, Minot	138,754,019	121,258,974	7	+ 2
6	Dakota Northwestern Bank NA, Bismarck	135,909,138	122,531,240	5	
7	First National Bank, Grand Fork	129,562,265	122,446,000	6	
8	American State Bank & Trust Co., Williston	103,500,974	93,214,614	9	+ 1
9	Fargo National Bank & Trust Co.	103,242,102	99,954,000	8	
10	Dakota Bank & Trust Co., Fargo	95,883,173	88,327,370	10r	

*—Data for 12/31/82 may not be comparable with 12/31/81 because of mergers, etc.
r—Based on revised data. Rank that bank would have had if revised figures had been available.

First Chicago . . .

Continued from page 3

pay 10¾% for five-year money. "Over a long period, this spread would be too narrow," Mr. Sullivan acknowledged.

From IRAs

Funding for the loans will come from two sources: from First Chicago's promotion of individual retirement accounts, which drew in $236 million in deposits in 1982; and from purchased funds of medium-term maturity in domestic and overseas markets. The bank intends to match-fund the loans by the end of the year, by which time interest rates should have declined if First Chicago's outlook is correct. However, it prefers to match the loans with funds as the loans are made.

Loan demand at the bank is "relatively flat," but this was not a major factor in launching the mortgage program, Mr. Sullivan contended. "We did not look upon it as a program to stimulate lending, as the margins are too small," he said. In addition, First Chicago is not suffering as are some banks from an excess of consumer deposits, as these inflows have been used to replace funds previously bought in the money markets.

Commercial Program

The bank also has a fixed-rate lending program for commercial customers based on $100 million of lendable funds, but the rates are somewhat higher than on the mortgage loans.

Said Mr. Sullivan: "The mortgage program is special for a special reason."

It "can provide a substantial saving to the customer, and we are confident it will have a positive impact on the housing industry and the local economy," he explained.

The loans will be restricted to the Chicago metropolitan area. Payments for the loans will be on a 30-year amortization schedule. They will carry a closing cost of 3% of the loan amount and a $300 application fee. ■

Nader Law Group Sets Financial Conference

Washington Bureau

WASHINGTON — Ralph Nader's Center for Responsive Law will cosponser a conference here with eight trade associations, including several major financial lobbies.

The conference, scheduled for May 23, is intended to debate policy issues involved in the deregulation of depository institutions, and of the interaction between those institutions and other financial services and commercial activities, according to a release.

The trade groups involved are the American Bankers Association, the Independent Bankers Association of America, the U.S. League of Savings Institutions, the Investment Company Institute, the Securities Industry Association, and the National Association of Home Builders, the release said.

Before the Courts

Recent developments in important lawsuits before federal and state courts affecting the financial services industry, including newly filed actions, are described below. A cumulative list of significant litigation, arranged by subject, appears from time to time. This feature is compiled by Gordon Matthews.

U.S. v. Whitney National Bank of New Orleans. (No. 82-5111, U.S. District Court for Eastern Louisiana, New Orleans.) A hearing is set for this week in a Justice Department lawsuit alleging job discrimination against banks and women by Whitney. The hearing concerns motions by the department for court orders to ensure its access to Whitney employees and end what it feels is a segregated lunch facility. The bank denies the charges.

Hillsboro National Bank v Internal Revenue Service. (No. 81-485, U.S. Supreme Court.) The Justices ruled against the government, 7 to 2, and said the Illinois bank does not have to include as income a refund to bank shareholders of property taxes on their interest in the bank. In so doing, the court declined to change a "tax-benefit rule" for taxpayers who take deductions in one year for items that are reduced in value or reimbursed in later years.

Federal Savings & Loan Insurance Corp. v. Dixon, et.al. (No. 83-116-N, U.S. District Court for Eastern Virginia, Norfolk.) The FHLBB has sued nine former directors and officers of the failed Suffolk, Va., thrift institution, and its subsidiary, Virginia Service Corp. The suit charges the officials were negligent and breached their fiduciary duty to manage the S&L "reasonably and prudently."

Securities Industry Association v. Board of Governors. (No. 83-4019, U.S. Court of Appeals, Second Circuit, New York.) As expected, the SIA is challenging the recent Federal Reserve Board decision approving the bid of BankAmerica Corp. to acquire Charles Schwab & Co. Inc., a discount broker, and setting discount brokerage as a permissible banking activity under the Bank Holding Company Act. ■

Pontiac . . .

Continued from page 3

Comerica declined official comment both on their offer and the one from the Chicago group. But a Comerica spokesman said the move "makes sense for us." A merger with Pontiac State would give Comerica access to the banking market in northwest Oakland County, an area where it now lacks a presence.

When Peoples Banking and Pontiac State agreed to a merger last April, the chairman of Peoples said the deal "places us squarely in Oakland County, one of the richest and most important markets in Michigan."

Mr. Creamer of Pontiac State said earlier this week that the bank's board has asked shareholders not to do anything with respect to the latest offers until the board takes a position on them. The board's position, he said, will be disclosed after it is reported to the Federal Deposit Insurance Corp.

Mr. Creamer stated that neither the Comerica offer nor the Chicago group's offer was solicited.

Asked about the interest in Pontiac State, Mr. Creamer said with low interest rates and improved earnings, "the bank is looking better and better to more people."

The Chicago group, according to its tender offer, is composed of Frank C. Cihak, Richard L. Chambers, Ronald E. Goodman, Frank S. Lockwood, James C. Nelson, James R. Stevens, and Allen Barry Witz. First of Michigan Corp. is dealer-manager for the group's offer.

Comerica has $7.4 billion in assets and $5.9 billion in deposits. Pontiac State Bank has 19 offices with $458 million in deposits and $555 million in assets. ■

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Senate Shelves Withholding Vote Until Friday

By ANDREW ALBERT

WASHINGTON — Once again, a sharply divided Senate failed Wednesday to halt the continuing debate on whether to prevent withholding on interest and dividend income.

And it appeared that no decisive action would come until Friday, at the earliest. That's when Senate Majority Leader Howard Baker, R-Tenn., said he would try again to force a decision on the controversial matter.

Unless Congress repeals the law, financial institutions must begin withholding 10% of customers' interest and dividend income July 1. The banking industry has waged a high-powered fight for repeal — generating an avalanche of antiwithholding mail in Congress.

Despite those lobbying efforts, Sen. Robert W. Kasten, R-Wis., fell just short Wednesday of forcing a vote on his amendment, which would kill the tax-withholding laws enacted last year.

In a dramatic 59 to 39 vote, the

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Big Bank Problem-Nation Loans Exceed Equity

Third-World Exposure at Top 10 Banks

(Dollar Figures in Millions)

	Mexico	Brazil	Venez.	Other[1]	Total	As % of Equity
Citicorp[2]	3,270	4,360	1,090	1,090	9,810	203%
as % of loans	3.8%	5.1%	1.3%	1.3%	11.4%	
BankAmerica	2,500	2,300	2,000		6,800	148%
as % of loans	3.4%	3.1%	2.7%		9.2%	
Chase Manhattan[3]	1,687	2,362	1,012	1,012	6,073	220%
as % of loans	3.1%	4.3%	1.8%	1.8%	11.0%	
Manufacturers Han.	1,730	2,014	1,100	1,967	6,811	245%
as % of loans	4.1%	4.7%	2.8%	4.6%	16.0%	
Morgan Guaranty	1,082	1,688	543	759	4,072	150%
as % of loans	3.4%	5.3%	1.7%	2.4%	12.8%	
Chemical	1,500	1,300		741	3,541	182%
as % of loans	4.9%	4.2%		2.4%	11.5%	
Continental Illinois	695	490	463	381	2,029	119%
as % of loans	2.1%	1.5%	1.4%	1.2%	6.2%	
First Interstate	680	474			1,154	64%
as % of loans	2.8	1.9%			4.7%	
Bankers Trust	875	875	475		2,225	143%
as % of loans	4.2%	4.2%	2.3%		10.6%	
Security Pacific	525	490		175	1,190	80%
as % of loans	2.1%	2.0%		0.1%	4.8%	
TOTAL	14,544	16,353	6,683	6,125	43,705	169%
as % of loans	3.4%	3.9%	1.6%	1.4%	10.3%	

[1] Includes disclosed exposures of more than 1% to Argentina, Yugoslavia, and Chile.
[2] Calculated from a percent of outstandings.
[3] Calculated from a percent of outstandings. A midpoint of the ranges provided by Chase was used for the chart. The exposure range for Argentina and Venezuela is $875 million to $1.35 billion, for Mexico $1.35 billion to $2.025 billion, and for Brazil $2.025 billion to $2.7 billion.

Hanover Has Largest Percentage Exposure

By TERESA CARSON

NEW YORK — The nation's 10 largest bank holding companies had investments amounting to 169% of their shareholders' equity in problem-plagued countries, mostly in Latin America.

Three of the companies — Citicorp, Chase Manhattan Corp. and Manufacturers Hanover Corp. — had amounts that total more than twice their equity outstanding to countries facing liquidity problems at yearend, their annual reports show.

Citicorp, which at $9.810 billion had the largest dollar total outstanding, had yearend investments equal to 203% of its equity to Mexico, Brazil, Venezuela, and Argentina.

Manufacturers Hanover follows with $6.811 billion, an amount equal to 245% of its equity out to Mexico, Brazil, Argentina, Venezuela, and Chile. Chase had $5.568 billion out to Mexico, Brazil, Argentina, and Venezuela, an amount equal to 245% of its equity at yearend.

Eight of the top 10 had an amount at least equal to their equity outstanding to these countries. Only two Los Angeles-based holding companies had amounts out that were less than their equity. Security Pacific Corp. had an amount equal to about 80% of its equity base, and First Interstate Bancorp. had an amount equal to 64% of its shareholders' equity.

The disclosures, required since Jan. 1, 1983, by the Securities and Exchange Commission, provide a glimpse of just how much the banks had outstanding to these financially strapped countries at yearend.

➤➤ Foreign: Page 6

Auditor Defends Role at Failed Bank

By PHILLIP L. ZWEIG

WASHINGTON — Two days after federal officials told directors of the United American Bank of Knoxville, Tenn., of the bank's huge loan losses, the bank's general counsel told Ernst & Whinney that management had "no information" on the findings, an official of the Big-Eight accounting firm told Congress Wednesday.

Ernst & Whinney has been severely criticized for awarding United American, which failed Feb. 14, an unqualified opinion on its 1982 results.

Butcher Banks to Form BHC, Page 3

On Jan. 28, the day after the conversation between the bank and the audit firm, United American made public its audited 1982 results, stating

➤➤ United American: Page 5

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Foreign . . .

Continued from page 1

The figures are intended to reveal risks associated with liquidity problems and exchange rate fluctuations, not necessarily credit risk. But the banks have considerable discretion as to what they choose to disclose. In some cases, additional information from the banks and several calculations are needed to compare the foreign outstandings to equity.

Furthermore, the numbers understate the true extent of the banks' exposure in foreign countries because they do not include any credit extended in local currencies.

In some cases, that local currency business is considerable. For example, about 40% of Citicorp's 1982 profits from Brazil were derived from cruziero earnings. Further, Citibank Brazil generated 20% of the entire company's earnings in 1982, according to a study by Salomon Brothers.

Citicorp, in addition to $43 billion in dollars outstanding to foreign countries had $25 billion more extended in local currencies. It is impossible to tell from Citicorp's disclosure how much of this $25 billion was outstanding to countries with liquidity problems, but the general breakdown provided indicates that it could have amounted to $6.1 billion.

Citicorp, like some of the other banking companies, does not disclose dollar amounts outstanding, but simply what percent of their total outstandings are out to a certain country. Chase Manhattan Corp. does not provide a specific percent, but a range.

Nine Hold 23.4%

The nine largest American banks hold 23.4% of the $199 billion borrowed by eight big Latin American countries, a Merrill Lynch study shows. All American banks hold 39.6% of the totals. All the lesser-developed countries have borrowed $348 billion from private banks and the nine largest U.S. banks have 22.4% of the debt, while all U.S. banks have 36.1%. "It should also be pointed out that in 1971, barely more than 10 years ago, two-thirds of all LDC debt was held by official sources, not private banks," the Merrill study says.

Congress has held hours of hearings on the question of LDC debt and a number of congressmen advocate some type of curb. Bank regulators have joined the criticism and have said they may take such action as establishing "special prudential reserves" for loans to some countries. At the very least, analysts agree, banks can expect some additional disclosures required on international loans.

Many regional banks have curtailed their lending to lesser-developed countries, creating problems for the larger banks that are trying to keep international loan syndicates together. Publicly at least, the big banks staunchly maintain they are providing a necessary service at little risk to their stockholders or the financial system. As Citicorp chairman Walter Wriston is fond of repeating, countries don't go bankrupt.

He has been right, so far. Every time a country has run into trouble, the bankers patched together a plan to avoid crisis for the country and coincidentally themselves.

It is not only America's biggest banks that have lent money to these problem-plagued countries. A random sample of regional banks shows many have been active lenders.

The $2.5 billion-asset Fleet Financial Group Inc., Providence R.I., had $64.4 million to Mexican borrowers at yearend, $46.2 million to Brazilian borrowers, and $31.9 million to Venezula. This $142.5 million is equal to 67% of Fleet's $212.0 million in stockholders' equity.

In Minneapolis, the $16.9 billion First Bank Systems had 21% of its equity or $200 million out to Mexico. It says about 85% of this is with government banks and entities. Some of the amount, although the annual report does not say how much, is classified as nonperforming.

Banks have discretion as to what they disclose under the requirements. Banks may list any country in which they have 1% of their outstandings, regardless of the country's financial health. Or the bank can list only those countries where it has 1% of its outstandings in cases where the bank management has determined the country is having liquidity problems. These disclosures are as of yearend, and as many of the annual reports point out, additional funds have been lent in some cases.

"Outstandings" are not just loans, and some of the amount may be in less risky types of investment. Outstandings are defined as loans, leases, interest-bearing deposits, investment securities acceptances, trading account securities, federal funds sold, and repurchase agreements.

Although the guidelines seem at first blush to be rather detailed, there are many things the banks are not required to disclose. In addition to disclosing only the dollar-denominated outstandings, they do not, for example, have to say how much of this debt is on nonperforming status. ■

First Federal . . .

Continued from page 3

"The nomination of a majority of directors by FSLIC now enables me to conclude my role," Mr. Enlund said. "I feel that my stepping down at this time will expedite the restructuring anticipated by the new board of directors."

Mr. Enlund will continue to serve as a director.

A new chairman is expected to be named later this month. The FSLIC does have veto power over the selection of all officers and directors.

Last month, Mr. Enlund released a lengthy "White Paper" report that accused the Federal Savings and Loan Insurance Corp. of an "abuse of powers" in trying to oust him as First Federal's chief executive officer, and demanding the resignations of several of the association's directors.

The report also accused the FSLIC of heavy-handed tactics in forcing First Federal into agreeing to let regulators merge the ailing $728 million-asset First Financial Savings & Loan Association of Downers Grove, Ill., into First Federal. That merger last April 3 made First Federal a "phoenix" association.

The report turned out to be as controversial as the charges it made. Just days after the report was released, First Federal's board disclaimed any responsibility for it.

The report was actually released over Mr. Enlund's signature, and he defended both the issuance of the report and its contents.

A phoenix association, in theory, is supposed to be a cost-efficient way for regulators to deal with S&Ls struggling to cope with either a declining or negative net worth. The theory didn't hold true in the case of First Federal, the report charged.

First Federal instead was burdened with assuming numerous questionable loans made by First Financial executives only days before that association was declared insolvent, the report said.

This announcement appears as a matter of record only.

$150,000,000

Manufacturers Hanover Corporation

Floating Rate Notes Due April 7, 1992

Interest on the Notes is payable quarterly on January 7, April 7, July 7 and October 7, beginning July 7, 1983. Such interest payments will include accrued interest through the last day of the preceding calendar month. The interest rate on the Notes will be subject to weekly adjustment on the calendar day following each auction of 91-day Treasury bills, and will be equal to 75 basis points above the 91-day Treasury bill auction rate (expressed on a bond equivalent basis).

Price 99.875%
(Plus accrued interest, if any, from April 5, 1983)

Lehman Brothers Kuhn Loeb
Incorporated

March 16, 1983

This announcement appears as a matter of record only.

$150,000,000

CITICORP

Floating Rate Notes Due April 10, 1992

Interest on the Notes is payable quarterly on January 10, April 10, July 10 and October 10, beginning July 10, 1983. Such interest payments will include accrued interest through the last day of the preceding calendar month. The interest rate on the Notes will be subject to weekly adjustment on the calendar day following each auction of 91-day Treasury bills, and will be equal to 75 basis points above the 91-day Treasury bill auction rate (expressed on a bond equivalent basis).

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